

**Town of Woodruff
Woodruff, Utah**

**Financial Statements
With Accountants' Compilation Report
For the Year Ended June 30, 2006**

**Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah**

Town of Woodruff

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June 30, 2006

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Ulrich & Associates, PC

Certified Public Accountants

ACCOUNTANTS' COMPILATION REPORT

The Honorable Mayor and Members
of the Town Council
Town of Woodruff
Woodruff, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Woodruff as of and for the year ended June 30, 2006, which comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have compiled the supplementary information, from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



January 23, 2007

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Town of Woodruff
Management's Discussion and Analysis
June 30, 2006

As management of the Town of Woodruff, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Woodruff for the fiscal year ended June 30, 2006.

Financial Highlights

The total net assets of \$650,584 is made up of \$432,055 in capital assets less related debt of \$38,242 and other net assets of \$256,771.

In the Enterprise Funds, revenues exceeded expenditures by \$52. This includes a non-cash charge for depreciation of \$12,965.

Total long-term liabilities of the Town were reduced by \$7,649.

Reporting the Town as a Whole

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town of Woodruff's basic financial statements comprise of three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Woodruff's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of the Town of Woodruff's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Woodruff is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Town of Woodruff
Management's Discussion and Analysis
June 30, 2006

Both of the government-wide financial statements distinguish functions of the Town of Woodruff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 10 and 11 of this report.

Reporting the Town's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Woodruff also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund and capital projects fund.

Proprietary funds - Town of Woodruff maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Woodruff uses enterprise funds to account for its Water Utility and Rodeo.

As determined by generally accepted accounting principles, the both the water utility fund and rodeo fund meets the criteria of major fund classification.

Town of Woodruff

Management's Discussion and Analysis

June 30, 2006

Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of the Town of Woodruff, assets exceeded liabilities by \$650,584, an increase of \$25,673 over the prior year. This increase was largely due to an increase in capital assets with the Town roof replacement. By far, the largest portion of the Town of Woodruff's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment, etc). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town plans to spend much of their fund balance reserved for roads on a large resurfacing project within the next year.

Statement of Net Assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 143,651	204,337	118,119	112,751
Capital assets	78,372	29,066	353,683	366,648
Total assets	222,023	233,403	471,802	479,399
Long-term debt outstanding	-	-	38,242	45,891
Other liabilities	5,000	42,000	-	-
Total liabilities	5,000	42,000	38,242	45,891
Net Assets:				
Invested in capital assets, net of debt	78,372	29,066	315,441	320,757
Restricted	49,978	63,643	15,475	15,475
Unrestricted	88,673	98,694	102,644	97,276
Total net assets	\$ 217,023	191,403	433,560	433,508

Town of Woodruff
Management's Discussion and Analysis
June 30, 2006

Changes in Net Assets

	Governmental Activities 2006	Business- Type Activities 2006
Revenues		
Program revenues		
Charges for services	\$ 2,929	48,376
Operating grants & contributions	7,743	-
General revenues		
Property taxes	6,272	-
Other taxes	33,560	-
Interest income	7,617	-
Total revenues	<u>58,121</u>	<u>48,376</u>
Expenses		
General government	24,464	-
Highways/public improvements	1,831	-
Water & Rodeo	-	56,936
Total expenses	<u>26,295</u>	<u>56,936</u>
Transfers	(5,000)	5,000
Interest expense	(1,206)	3,612
Increase (decrease) in net assets	<u>25,620</u>	<u>52</u>
Net assets, beginning of year	<u>191,403</u>	<u>433,508</u>
Net assets, end of year	<u><u>\$ 217,023</u></u>	<u><u>433,560</u></u>

Financial Analysis of Government's Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

Town of Woodruff
Management's Discussion and Analysis
June 30, 2006

As of June 30, 2006, the Town's General Fund reported a fund balance of \$88,230. This represents an increase of \$24,238 (37.9%) over prior year's ending balance.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 75.1% of total general fund revenues. The largest element of taxes is sales and use taxes, which represents 61.7% of total tax revenue. Intergovernmental revenues account for 14.6% of total general fund revenues.

The Town maintains two enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in business-type activities include a \$7,649 decrease in debt due to regular principal payments.

General Fund Budgetary Highlights

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$41,500 to a final budget of \$23,420 (-43.6%). These decreases were made in response to anticipated lower costs in the highway department. The General Fund did go over budget due to a roof repair of \$13,170 that was budgeted for in the capital projects fund.

Capital Asset and Debt Administration

Capital assets - The Town of Woodruff's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$432,055. The total increase in the Town's investment in fixed assets for the current year was 9.18% (due to new purchases exceeding depreciation).

The major capital asset event during the current fiscal year included the following:

\$51,790 for building roof and trusses

Town of Woodruff
Management's Discussion and Analysis
June 30, 2006

Town of Woodruff's Capital Assets

	Governmental Activities 2006	Business- Type Activities 2006
Land	\$ 10,000	31,155
Buildings	98,704	-
Improvements	-	11,217
Distribution mains and reservoir	-	605,757
Machinery and equipment	24,561	23,921
Less: Accumulated depreciation	<u>(54,893)</u>	<u>(318,367)</u>
Total	<u>\$ 78,372</u>	<u>353,683</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

Long-term Debt

At June 30, 2006, the Town had total water construction loan debt outstanding of \$38,242. This debt is secured solely by capital assets.

The Town's total debt decreased by \$7,649 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

BASIC FINANCIAL STATEMENTS

Town of Woodruff

Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 135,852	102,457	238,309
Accounts receivable - net	7,799	944	8,743
Prepaid items	-	9,718	9,718
Due from other funds	-	5,000	5,000
Capital assets (net of accumulated depreciation):			
Land	10,000	31,155	41,155
Buildings	62,272	-	62,272
Improvements	-	322,355	322,355
Machinery and equipment	6,100	173	6,273
Total assets	222,023	471,802	693,826
<u>Liabilities</u>			
Due to other funds	5,000	-	5,000
Loan payable revenue bonds - current	-	7,649	7,649
Loan payable revenue bonds - noncurrent	-	30,593	30,593
Total liabilities	5,000	38,242	43,242
<u>Net Assets</u>			
Invested in capital assets, net of related debt	78,372	315,441	393,813
Restricted for debt	-	15,475	15,475
Restricted for class C road	49,978	-	49,978
Unrestricted	88,673	102,644	191,317
Total net assets	\$ 217,023	433,560	650,584

See accompanying notes and accountants' compilation report.

Town of Woodruff
Statement of Activities
For the Year Ended June 30, 2006

Function/Programs	Program Revenues				Net (Expense) Revenues & Changes in Net Assets		
	Operating			Grants and Contributions	Primary Government		
	Expenses	Charges for Services			Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 24,464	2,854	69		(21,541)	-	(21,541)
Highways and public improvements	1,831	75	7,674		5,918	-	5,918
Total governmental activities	26,295	2,929	7,743		(15,623)	-	(15,623)
Business-type activities							
Water utility	29,104	18,136	-		-	(10,968)	(10,968)
Rodeo	27,832	30,240	-		-	2,408	2,408
Total business-type activities	56,936	48,376	-		-	(8,560)	(8,560)
Total primary government	83,231	51,305	7,743		(15,623)	(8,560)	(24,183)
General revenues							
Property taxes					6,272	-	6,272
General sales and use tax					24,581	-	24,581
Franchise tax					7,360	-	7,360
Telephone tax					1,619	-	1,619
Net interest earnings (expense)					6,411	3,612	10,023
Transfers					(5,000)	5,000	-
Total general revenues					41,243	8,612	49,855
Change in net assets					25,620	52	25,672
Net assets - beginning					191,403	433,508	624,911
Net assets - ending					\$ 217,023	433,560	650,583

See accompanying notes and accountants' compilation report.

Town of Woodruff**Balance Sheet****Governmental Funds****June 30, 2006**

	General Fund	Capital Projects Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 77,380	58,472	135,852
Taxes receivable	7,799	-	7,799
Due from other funds	12,190	-	12,190
Total assets	<u>97,369</u>	<u>58,472</u>	<u>155,841</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Due to other funds	5,000	12,190	17,190
Deferred revenue	4,139	-	4,139
Total liabilities	<u>9,139</u>	<u>12,190</u>	<u>21,329</u>
Fund Balances			
Reserved for:			
Roads	49,978	-	49,978
Unreserved, reported in:			
General fund	38,252	-	38,252
Capital projects fund	-	46,282	46,282
Total fund balances	<u>88,230</u>	<u>46,282</u>	<u>134,512</u>
Total liabilities and fund balances	<u>\$ 97,369</u>	<u>58,472</u>	<u>155,841</u>

See accompanying notes and accountants' compilation report.

Town of Woodruff
Balance Sheet Reconciliation to Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types	\$ 134,512
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,372
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Property tax revenue is recognized when earned (claim to resources established) rather than when "available." The deferred property tax is not available.	4,139
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Net assets of government activities	<u>\$ 217,023</u>
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See accompanying notes and accountants' compilation report.

Town of Woodruff
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Total
<u>Revenues</u>			
Taxes	\$ 39,833	-	39,833
Licenses and permits	180	-	180
Intergovernmental	7,743	-	7,743
Charges for services	75	-	75
Interest	2,544	3,867	6,411
Miscellaneous revenue	2,674	-	2,674
Total revenues	53,049	3,867	56,916
<u>Expenditures</u>			
Current			
General government	21,980	51,790	73,770
Highways and public works	1,831	-	1,831
Total expenditures	23,811	51,790	75,601
Excess revenues over (under) expenditures	29,238	(47,923)	(18,685)
<u>Other financing sources (uses)</u>			
Transfers (out)	(5,000)	-	(5,000)
Total other financing sources and uses	(5,000)	-	(5,000)
Excess of revenues and other sources over (under) expenditures and other uses	24,238	(47,923)	(23,685)
Fund balances - beginning of year	63,992	94,205	158,197
Fund balances - end of year	\$ 88,230	46,282	134,512

See accompanying notes and accountants' compilation report.

Town of Woodruff
Statement of Changes Reconciliation to Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (23,685)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

49,306

Change in net assets of governmental activities	<u><u>\$ 25,620</u></u>
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See accompanying notes and accountants' compilation report.

Town of Woodruff

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<u>Revenues</u>				
Taxes	\$ 36,800	39,780	39,833	53
Licenses and permits	210	210	180	(30)
Intergovernmental	7,600	6,269	7,743	1,474
Charges for services	-	-	75	75
Interest	1,400	2,515	2,544	29
Miscellaneous revenue	1,800	800	2,674	1,874
Total revenues	47,810	49,574	53,049	3,475
<u>Expenditures</u>				
Current				
General government	23,000	21,000	21,980	(980)
Highways and public works	15,000	1,900	1,831	69
Parks and recreation	3,500	520	-	520
Total expenditures	41,500	23,420	23,811	(391)
Excess revenues over (under) expenditures	6,310	26,154	29,238	3,084
<u>Other financing sources (uses)</u>				
Transfers (out)	(20,000)	(19,200)	(5,000)	14,200
Total other financing sources and uses	(20,000)	(19,200)	(5,000)	14,200
Excess of revenues and other sources over (under) expenditures and other uses	(13,690)	6,954	24,238	17,284
Fund balances - beginning of year, as adjusted	63,992	63,992	63,992	-
Fund balances - end of year	\$ 50,302	70,946	88,230	17,284

See accompanying notes and accountants' compilation report.

Town of Woodruff
Statement of Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise		
	Water Fund	Rodeo Fund	Total
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 73,088	13,894	86,982
Accounts receivable - net	944	-	944
Total current assets	74,032	13,894	87,926
Other current assets			
Due from other funds	5,000	-	5,000
Prepaid expenses	-	9,718	9,718
Total other current assets	5,000	9,718	14,718
Noncurrent assets			
Restricted cash and cash equivalents	15,475	-	15,475
Land, equipment, buildings and improvements	652,833	19,217	672,050
Less: accumulated depreciation	(307,392)	(10,975)	(318,367)
Total noncurrent assets	360,916	8,242	369,158
Total assets	439,948	31,854	471,802
<u>Liabilities and Net Assets</u>			
Current liabilities			
Water construction loan	7,649	-	7,649
Total current liabilities	7,649	-	7,649
Noncurrent liabilities			
Water construction loan	30,593	-	30,593
Total noncurrent liabilities	30,593	-	30,593
Total liabilities	38,242	-	38,242
Net Assets			
Investment in capital assets net of related debt	314,848	8,242	323,090
Restricted for debt reserve	15,475	-	15,475
Unrestricted	71,383	23,612	94,995
Total net assets	401,706	31,854	433,560
Total liabilities and net assets	\$ 439,948	31,854	471,802

See accompanying notes and accountants' compilation report.

Town of Woodruff
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise		
	Water Fund	Rodeo Fund	Total
<u>Operating Revenues</u>			
Charges for services	\$ 18,136	27,321	45,457
Miscellaneous	-	2,919	2,919
Total operating revenues	18,136	30,240	48,376
<u>Operating Expenses</u>			
Salaries and wages	9,657	890	10,547
Maintenance and supplies	6,992	442	7,434
Services expense	-	25,990	25,990
Depreciation and amortization	12,455	510	12,965
Total operating expenses	29,104	27,832	56,936
Operating income	(10,968)	2,408	(8,560)
<u>Nonoperating Revenues (Expenses)</u>			
Interest revenue	3,612	-	3,612
Transfer in	5,000	-	5,000
Total nonoperating revenues (expenses)	8,612	-	8,612
Change in net assets	(2,356)	2,408	52
Total net assets - beginning	404,062	29,446	433,508
Total net assets - ending	\$ 401,706	31,854	433,560

See accompanying notes and accountants' compilation report.

Town of Woodruff
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise		
	Water Fund	Rodeo Fund	Total
<u>Cash flows from operating activities</u>			
Receipts from customers	\$ 18,830	30,240	49,070
Payments to suppliers	(6,992)	(30,267)	(37,259)
Payments to employees	(9,657)	(890)	(10,547)
Net cash provided (used) by operating activities	2,181	(917)	1,264
<u>Cash flows from non-capital financing activities</u>			
Decrease in amount due from other funds	20,000	-	20,000
Transfer from other funds	5,000	-	5,000
Net cash provided (used) by financing activities	25,000	-	25,000
<u>Cash flows from capital and related financing activities</u>			
Principal paid on capital debt	(7,649)	-	(7,649)
Net cash provided (used) by capital and related financing activities	(7,649)	-	(7,649)
<u>Cash flows from investing activities</u>			
Interest and dividends received	3,612	-	(7,649)
Net cash provided (used) by investing activities	3,612	-	(7,649)
Net increase (decrease) in cash and cash equivalents	23,144	(917)	22,227
Cash and cash equivalents - beginning	65,420	14,811	80,231
Cash and cash equivalents - end	\$ 88,563	13,894	102,458
<u>Reconciliation of operating income to net cash provided (used) by operating activities</u>			
Operating income	\$ (10,968)	2,408	(8,560)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	12,455	510	12,965
(Increase)/decrease in accounts receivable	694	-	694
(Increase)/decrease in prepaid expenses	-	(3,835)	(3,835)
Total adjustments	13,149	(3,325)	9,824
Net cash provided (used) by operating activities	\$ 2,181	(917)	1,264

See accompanying notes and accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS

Town of Woodruff
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The Town is a municipal corporation governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the Town.

The Town reports the following major proprietary funds:

The *water fund* accounts for the operations of the Town's water system.

The *rodeo fund* accounts for operations of the Town sponsored Rodeo.

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

1. Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the Town quarterly.

Franchise taxes are collected by the telephone operations and are remitted to the Town monthly.

3. Restricted cash and cash equivalents

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	30
Vehicles	5
Equipment	7

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

6. Fund equity/Net assets

Contributed capital is recorded in proprietary funds that have received capital contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 133,265
Accumulated depreciation	<u>(54,893)</u>
Total difference	<u><u>\$ 78,372</u></u>

B. Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 51,790
Depreciation expense	<u>(2,484)</u>
Net difference as reported	<u><u>\$ 49,306</u></u>

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 3 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the Town of Woodruff Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and enterprise funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

For the year ended June 30, 2006, expenditures exceeded appropriations in the general fund for the general government function by \$980.

Note 4 - Detailed Notes on all Funds

Deposits and investments

The Town maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 4 - Detailed Notes on all Funds - Continued

As of June 30, 2006, the Town had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	\$ 28,244
Public Treasurers' Investment Fund	<u>\$ 205,567</u>
	<u>\$ 233,811</u>

Interest rate risk. The Town manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2006, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, none of the \$233,811 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash and cash equivalents	\$ 222,834
Restricted assets:	
Cash and cash equivalents	<u>15,475</u>
	<u>\$ 238,309</u>

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 4 - Detailed Notes on all Funds - Continued

Receivables

Receivables as of year end for the government's general and enterprise funds are as follows:

	General	Enterprise	Total
Accounts	\$ -	944	944
Sales tax	3,660	-	3,660
Deferred taxes receivable	4,139	-	4,139
	<u>\$ 7,799</u>	<u>944</u>	<u>8,743</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

<u>Primary Government</u>	Beginning			Ending
<u>Governmental activities</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	46,914	51,790	-	98,704
Machinery and equipment	24,561	-	-	24,561
Total capital assets being depreciated	<u>71,475</u>	<u>51,790</u>	<u>-</u>	<u>123,265</u>
Less accumulated depreciation for:				
Buildings	35,485	947	-	36,432
Machinery and equipment	16,924	1,537	-	18,461
Total accumulated depreciation	<u>52,409</u>	<u>2,484</u>	<u>-</u>	<u>54,893</u>
Total capital assets, being depreciated, net	<u>19,066</u>	<u>49,306</u>	<u>-</u>	<u>68,372</u>
Governmental activities capital assets, net	<u>\$ 29,066</u>	<u>49,306</u>	<u>-</u>	<u>78,372</u>

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 4 - Detailed Notes on all Funds - Continued

<u>Capital assets - continued</u>	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 31,155	-	-	31,155
Total capital assets not being depreciated	31,155	-	-	31,155
Capital assets being depreciated:				
Improvements	11,217	-	-	11,217
Distribution mains and reservoir	605,757	-	-	605,757
Machinery and equipment	23,921	-	-	23,921
Total capital assets being depreciated	640,895	-	-	640,895
Less accumulated depreciation for:				
Improvements	10,465	510	-	10,975
Distribution mains and reservoir	271,540	12,104	-	283,644
Machinery and equipment	23,397	351	-	23,748
Total accumulated depreciation	305,402	12,965	-	318,367
Total capital assets, being depreciated, net	335,493	(12,965)	-	322,528
Business-type activities capital assets, net	\$ 366,648	(12,965)	-	353,683

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 2,484
Capital projects	-
Total depreciation expense - governmental activities	2,484

Business-type activities

Water fund	12,455
Rodeo	510
Total depreciation expense - business-type activities	12,965

Total depreciation expense	\$ 15,449
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Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 4 - Detailed Notes on all Funds - Continued

Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 12,190	5,000
Capital projects fund	-	12,190
Water fund	5,000	-
	<u>\$ 17,190</u>	<u>17,190</u>

Interfund receivables and payables are help with expenditures during the year which exceed revenues. The intent is for the funds to pay back these accounts with revenues from the next fiscal year.

<u>Interfund Transfers</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	5,000
Water fund	5,000	-
	<u>\$ 5,000</u>	<u>5,000</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Construction loan payable	\$ 45,891	-	(7,649)	38,242	7,649
Total notes payable	<u>\$ 45,891</u>	<u>-</u>	<u>(7,649)</u>	<u>38,242</u>	<u>7,649</u>

Town of Woodruff
Notes to Financial Statements-Continued
June 30, 2006

Note 5 - Other Information

Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.